

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 PCH-02 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SS-15 /088 R

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S/S-O: MTANNER

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R 120324Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

INFO AMEMBASSY MOSCOW

AMCONSUL WINNIPEG BY POUCH

C O N F I D E N T I A L STATE 034218

E.O. 11652: GDS

TAGS: ETRD, EIND, CA

SUBJECT: SASKATCHEWAN TAKEOVER OF POTASH INDUSTRY

REF: STATE 8301

1. ON JANUARY 29 SOVIETS INFORMALLY ADVISED DEPT. OF THEIR  
INTEREST IN PURSUING POSSIBLE POTASH SUPPLY ARRANGEMENTS  
PREVIOUSLY RAISED WITH THEM BY U.S. FIRM (SEE REFTEL).  
SOVIETS SAID THEY WERE PREPARED TO MAKE TRIAL OFFER FOR  
INITIAL SALE OF 50,000 TONS POTASH AND TO CONSIDER LONG-  
TERM DEAL WHICH COULD AMOUNT TO 3-4 MILLION TONS OF EXPORTS  
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ANNUALLY.

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2. DEPT. HAS ALSO BEEN ADVISED THAT AT LEAST ONE U.S. FIRM IN ADDITION TO COMPANY MAKING INITIAL CONTACT WITH SOVIETS MAY ALSO BE INTERESTED IN DISCUSSING POTASH VENTURE WITH USSR.

3. DEPT. IS UNABLE TO JUDGE WHETHER SUCH DISCUSSIONS WILL IN FACT BEAR FRUIT. IT SEEMS LIKELY, HOWEVER, THAT FACT TALKS TAKING PLACE WILL BECOME PUBLIC AT SOME STAGE AND THIS COULD IN ITSELF HAVE IMPACT ON POTASH TAKEOVER SITUATION IN SASKATCHEWAN, PARTICULARLY AS COMPANIES INTERESTED IN DISCUSSIONS WITH USSR ARE AMONG THOSE WHOSE SUBSIDIARIES OPERATE SASKATCHEWAN MINES. POSSIBILITY THAT USSR REPRESENTS CREDIBLE ALTERNATIVE SOURCE OF POTASH SUPPLY FOR U.S. COULD REDUCE PROVINCIAL RESOLVE RE TAKEOVER AND BARGAINING LEVERAGE. ON OTHER HAND, SHOULD SOVIET ALTERNATIVE BE PERCEIVED AS USG PLOY OR THREAT, REACTION BY PROVINCIAL AND FEDERAL GOVERNMENT ALIKE COULD BE STRONGLY NEGATIVE.

4. WE BELIEVE MOST EFFECTIVE COURSE TO FOLLOW IS FOR USG TO INFORM GOC IN LOW-KEY, GENERAL WAY, BEFORE THEY ARE INFORMED FROM OTHER SOURCES, THAT COMMERCIAL TALKS ARE UNDERWAY. EMBASSY IS REQUESTED TO APPROACH EXTAFF AT LEVEL DEEMED APPROPRIATE AND TO MAKE FOLLOWING POINTS:

-- WE WISH TO INFORM GOC THAT TALKS HAVE BEGUN BETWEEN SOME U.S. FIRMS IN POTASH TRADE AND USSR CONCERNING POSSIBLE LONG-TERM PURCHASE ARRANGEMENT FOR SOVIET POTASH USING AVAILABLE CAPACITY IN VESSELS RETURNING TO U.S. AFTER DELIVERING GRAIN TO USSR. USG IS NOT ITSELF INVOLVED IN THESE DISCUSSIONS BUT WE ARE FOLLOWING TALKS CLOSELY.

-- USG HAS NO WAY OF ASCERTAINING WHETHER THESE TALKS WILL LEAD TO SUCCESSFUL COMMERCIAL ARRANGEMENT. HOWEVER, WE SEE NO LEGAL IMPEDIMENT TO SUCH A DEAL AND CONCEPT SEEMS GENERALLY FEASIBLE AND PARTIES GENUINELY INTERESTED.

-- DISCUSSIONS OBVIOUSLY HAVE SOME RELEVANCE FOR INDUSTRY  
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SITUATION IN SASKATCHEWAN, AND WE WISHED TO BRING THEM TO ATTENTION OF GOC. FACT OF TALKS COULD BECOME PUBLIC AT ANY TIME. WE WOULD HAVE NO OBJECTION IF GOC WISHED TO ADVISE PROVINCIAL GOVERNMENT AS WELL. INGERSOLL

NOTE BY OC/T: POUCHED WINNIPEG.

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NNN

## Message Attributes

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